AMERICAN CARS, AMERICAN JOBS ACT OF 2019

Too many incentives exist for automakers to downsize their U.S. workforces and offshore auto jobs from the U.S. GM's far-reaching plant closure and layoff announcement last year is proof of that. On November 26, 2018, GM announced that it would end vehicle production at four American auto assembly factories, including Ohio's Lordstown facility, and lay off 14,000 workers in the U.S. and Canada. These plant closures and massive layoffs came after GM had already laid off two shifts at the Lordstown plant in the last two years. In fact, the last day the 1,500 workers of the second shift punched the clock at the plant in June, GM announced it would begin production of the Chevy Blazer in Mexico.

GM first cited insufficient demand for the Cruze when it laid off the third and second shift at Lordstown in 2017 and 2018. It justified last year's decision to lay off thousands of workers and close multiple plants by saying the company intended to focus more on autonomous and electric vehicles. Specifically, the company stated it plans to shift away from its current vehicle production line-up and focus on the production of 20 new electric vehicles by 2023. GM's electric vehicles should be made in America, but the company's record of offshoring jobs and laying off U.S. workers is cause for concern.

To create more jobs and stop offshoring in the U.S. auto sector, we need policies that put U.S.-made cars on equal footing with foreign-made vehicles. We also need policies to promote U.S. competitiveness in next generation vehicle manufacturing to ensure the U.S. remains a global leader in auto production. Moreover, we need to eliminate corporate handouts in the U.S. tax code that reward auto companies that offshore jobs to Mexico or any other country.

The American Cars, American Jobs Act of 2019 includes two provisions – a rebate program and a rescission of a tax incentive to offshore jobs – designed to support the American auto industry and its workers.

<u>Rebate Program</u>
The American Cars, American Jobs Act of 2019 establishes a targeted, temporary rebate program that provides consumers with two ways to reduce the price of a purchase or 5-year lease of a new, American-made passenger vehicle. A passenger vehicle qualifies for a $3500 rebate if: 1) at least 45 percent of its content is identified as U.S./Canadian under the American Automotive Labeling Act (AALA); and 2) final assembly of the vehicle is done in the U.S.

A passenger vehicle qualifies for a $4500 rebate if: 1) at least 45 percent of its content is identified as U.S./Canadian under the AALA; 2) final assembly of the vehicle is done in the U.S.; and 3) is an electric vehicle or a plug-in hybrid electric vehicle.

Nearly 100 vehicles, including all passenger vehicles made in Ohio, qualify for the $3500 rebate based on the 2018 AALA list. Six of the nine U.S.-manufactured electric and plug-in hybrid vehicles on the AALA list qualify for the $4500 rebate. Both rebates are provided to consumers at the dealership, and the dealership is subsequently reimbursed by the U.S. Government. Individuals are eligible for only one $3500 or $4500 rebate, and the dealership must offer the rebate in combination with any other offers available to the consumer. The program expires either at the end of two years or when all funding for the program runs out, whichever is sooner.

Rescission of Tax Incentive to Offshore Jobs

The American Cars, American Jobs Act of 2019 also ends corporate handouts in U.S. tax law that reward companies for laying off American workers and shipping jobs overseas, like GM did in its Blazer announcement. Under the GOP tax law, profits on foreign-based U.S. company subsidiaries (called Controlled Foreign Corporations) are taxed at 0 percent unless they exceed 10 percent of that subsidiary's value. Profits exceeding 10 percent of the subsidiary's value are taxed under the GOP tax law at 10.5 percent instead of the full corporate tax rate of 21 percent. This corporate carve out creates an incentive for companies to earn more profits overseas.

The American Cars, American Jobs Act will close this loophole by amending Section 250 of the U.S. tax code to deny this lower overseas tax rate to auto companies that meet both of the following criteria: 1) the company's number of full-time U.S. employees is less than the number of full-time U.S. employees employed by that company on the day the tax bill passed; and 2) the same company increased the number of full-time employees working for its Controlled Foreign Corporations in the same taxable year. If an auto company meets both the criteria in any given tax year it would pay the full 21 percent, instead of the 10.5 percent, on of its foreign-earned income that exceeds 10 percent of a Controlled Foreign Corporation's value.

Through these provisions, the American Cars, American Jobs Act of 2019 will make it easier for U.S. auto workers to compete against foreign auto workers, will encourage U.S. production of electric vehicles, and will make it more costly for companies to choose to offshore auto production overseas.